

The Free

"If you don't create a free market, a black market will emerge"

Market



NEWSLETTER OF THE LITHUANIAN FREE MARKET INSTITUTE - www.freema.org/Newsletter/index.phtml

NEWS

LFMI hosted international libertarian forum

On July 6-10 libertarian economists, philosophers, politicians, academics and journalists from 15 countries gathered at an international conference "Toward Liberty: Turning Principles into Reality" in Vilnius. The event was organised by the Lithuanian Free Market Institute (LFMI), the International Society for Individual Liberty, U.S.A., and the Libertarian International, organisation of Europe's libertarians. Lithuanian weekly *Veidas* was an information supporter of the conference. The event was the 22nd annual meeting of libertarians from different parts of the globe, people of different interests and backgrounds, all of whom are united by the ideas of individual liberty.

The conference focused on the following issues: why totalitarian states survive nowadays, whether apparatchik economics is already the past or still the future, how we should call the European Union - the four freedoms or super leviathan, whether globalization is needed for the world, and what are the prospects and problems for freedom in non-western societies. It also addressed the issue of liberty and war with a special focus on what kind of order the US government is trying to implement around the world today and an impressive number of other topics.

One of the conference days was dedicated to explore the history of oppression. Participants visited the Grutas Park (Stalin's world), the only place in the world where an astounding amount of Soviet sculptures and other symbols have been turned into an open air museum, constructed like a Soviet lager for political dissidents.

Among recognised international speakers were Mr. Hans Hermann Hoppe, a famous American-German philosopher; Mr. Jurij Maltsev, a former advisor to the M. Gorbachev Government and currently professor of economics at Carthage College in Wisconsin; Mr. Jaroslav Romanchuk, the Vice President of the official opposition party of Belarus; Mr. Jan Narveson, a famous Canadian philosopher; Ms. Elena Leontjeva, the Chair of LFMI's Board, LFMI's Senior Policy Analysts Mr. Remigijus Simasius and Mr. Ramunas Vilpisauskas, Lithuanian philosopher Mr. Algirdas Degutis, and other truly prominent speakers and panellists.

Annual libertarian forums have played a vital role in facilitating the growth of the world liberty movement. Since 1982, they have been held in most Western European as well as in some former communist countries (Russia, Estonia and the Czech Republic). Other events took place in Mexico, Costa Rica, Canada and South Africa.

Improving construction business rules in Lithuania

On June 19 Lithuanian policy analysts, builders and government representatives gathered at a conference "Time to Strengthen the Legal Basis of the Construction Business in Lithuania: Public Procurement and Regulations in Construction" to discuss and find ways how to make construction rules and public procurement procedures clear and transparent and adapt them to the modern construction business. The event was organized by LFMI and the company Skanska Statyba.

According to LFMI senior policy analyst Remigijus Simasius, even though the number of construction projects is increasing in Lithuania and the business is developing rapidly, modern construction is often distorted by existing regulations. "Unfortunately the rules are not clear yet and the opinion of particular individuals in government positions determines where, what and how things can be built. Innovations in organizing construction face regulatory barriers; public procurements do not allow transparency and set a bad tone for the legal environment in the whole construction market," he believes.

The difficulties, challenges and organizational innovations of the construction business were discussed at the conference. Industry participants discussed the problems they face when selling their services to the government, and representatives of state institutions examined public construction procurement from the customer's point of view. The question of whether it is necessary to regulate the construction business in detail was one topic of the conference. Policy analysts presented innovations that builders can look forward to after accession to the European Union and analyze the need for improvements and simplification of public procurement regulations.

On May 3 Lithuania celebrated Tax Freedom Day

LFMI has calculated that in 2003 Tax Freedom Day fell on May 3. This year the average Lithuanian taxpayer had to work 122 days to pay the total tax bill imposed by all levels of government. LFMI started the tradition of commemorating Tax Freedom Day in Lithuania in 1993. Since 1993, when the Lithuanian taxpayers turned to the government everything they earned until April 13, Tax Freedom Day has moved later in the calendar. Starting from 2001, Tax Freedom Day comes earlier every year: on May 15 in 2001 and on May 4 in 2002. But, in LFMI's opinion, Lithuanians didn't start paying fewer taxes. Quite the contrary. The financing of the state grew markedly in absolute terms, but a juicy growth of GDP alleviated the tax burden in relative terms. And although the growth of GDP build preconditions to lower the tax burden in Lithuania, the advantages of the strengthening economy were used to benefit the budget rather than the people.

Senior Policy Analyst of the Lithuanian Free Market Institute Ramunas Vilpisauskas thinks that every one of us will join our own imaginary EU, therefore later this understanding may have to be altered or one will have to become accustomed to the fact that some people's lives might not change...The following interview was printed in weekly Atgimimas (2003 04 25).

The Market, not Funds, are Important to the EU

Interview with Ramunas Vilpisauskas

- What kind of challenges do you see Lithuania facing in the first years of EU membership? Many people are somewhat frightened by this uncertainty.

- First I would draw the attention to the challenges faced by the state institutions which have a say in what impact membership will have on business and society itself. It is most important to ensure that Lithuania, having joined the EU, will not be a second-rate state in regard to the implementation of EU policy measures, those of the internal market in particular. This is a common fear which is partially justified keeping in mind the established transitional periods for politically sensitive fields for EU states.

Equally important is the fragmentation of the internal market which will persist at least for some time – it should be remembered that border barriers will not be removed immediately after joining the EU. The abolition of internal barriers will directly depend on how Lithuania will protect its outside borders. Therefore, for a period of time restrictions on the movement of people and the exchange between old and new EU member states will remain, and the main challenge is to achieve that these restrictions are not permanent.

The ongoing discussion in the EU Convention shows numerous intentions to further expand integration in the groups of small member states. In this instance, the question arises of Lithuanian and other nations being left out on the side. The debates in the Convention still demonstrate certain scepticism regarding EU enlargement – a desire to retain this cosy circle of states which will not be that cosy after the enlargement, while the variety of interests will increase. Dealing with this variety and dovetailing respect for differences among states and societies with the general rules governing the common market is the biggest challenge both for the EU and Lithuania. This is an enormous political challenge which means, first of all, the ability to define Lithuania's interests (since former key goals – membership of the EU and NATO – are becoming the means for the implementation of so far vaguely defined interests) and the ability to represent Lithuanian interests inside the EU. During the initial years, it will be most crucial to balance the wish not to lag behind the integration vanguard with the understanding that Lithuania is less economically developed, that there are cultural and political differences which may render the implementation of certain proposed harmonized measures too costly.

- You touched upon an important topic – the ability of politicians and civil servants to represent Lithuania's interests. How much influence will this have on business?

- There is both a direct and an indirect effect. Clearly, the success of the Lithuanian business in the Single market will depend on its abilities to compete in the first place. However, the Lithuanian representatives in the EU institutions and their ability to negotiate will also determine how quickly and smoothly the Lithuanian business will take advantages of the opportunities offered by the internal market. Will sufficient diplomatic efforts be put forth if the European Commission tends to make use of the envisaged measures of market protection? Will the impact of newly proposed EU norms on the Lithuanian business and economy be properly evaluated? After joining the EU and while participating in the adoption of new legal acts, for example, regulating environmental issues, the question will always arise of whether they are not too expensive for Lithuanian companies.

Another sensitive issue is tax harmonization. If direct taxes were harmonised, for example, the profit tax, it is hardly probable that the minimum were set lower than the tariff in Lithuania. This would have a direct influence on business conditions and competitiveness. In the meantime, however, tax harmonisation is not very likely to happen. Business competitiveness will also directly depend on how strict the production standards – environmental protection and labour safety – are going to be in the future.

I would also like to highlight another challenge – the ability to use properly EU funds without increasing taxes and without reducing funding of other important internal policy areas in Lithuania on which the EU has no direct influence (internal security, police, maintenance of order, reforms of the health care, social security and education). Even now, Lithuanian businesses increasingly concentrate on the EU structural funds, although business support is not their goal. Structural funds, as cynics claim, is payment to those who are discontent with what is happening in Europe and in the world in general, to those who are unable to compete. They are used to induce loyalty and to attract market participants' attention to the EU.

In economic terms, the primary goal of the funds is to finance projects that are too big for individual enterprises to undertake or for national budgets to finance, and which have an external influence, mainly on two or more member states (transportation infrastructure and environmental protection projects), but not to provide a general support for business which is what many in Lithuania suppose them to do. By putting too much emphasis on structural funds and imprudently distributing budget revenues, on the one hand, non-realistic expectations may be created and private incentives and market investments distorted, while on the other, too little attention may be paid to such areas as the health care and social security and the reform of these systems which are unfinished yet.

- How would you evaluate business opportunities to take over the means of the structural funds at the outset of membership? What opportunities, in your opinion, do smaller businesses have and will this support be an impulse that will promote business growth?

- This money will not be the main impulse to business growth; it is just a certain aid for solving specific problems – for raising or changing qualification, modernization of equipment and so on. EU support in the EU itself is not seen as the main impulse to business development. Support from structural funds is provided for specific activities, however, the success of business has always depended on business itself and it will continue so. It is a fallacy to assume that the survival of enterprises and their success in competition will depend on EU support. EU support may help some people indeed, for example, business consultants, who will have more work and will earn more. Or it may help farmers whose income will increase significantly because of this support. However, EU's main purpose from the outset has been and remains the creation of more favourable conditions for trade and exchange between its member nations.

- Can it be stated that as a result of EU support some enterprises will operate at a larger profit, while others will encounter distorted competition?

- This will probably not be a major factor in determining who will go bankrupt and who will hold out and compete in the Single market. The common market is the organization's foundation. Talking of it, when a common market is created and the rules of economic activity are harmonised, general norms are most favourable for large enterprises that have developed economies of scale. For small enterprises this is not very topical. If an enterprise provides services or produces goods for its own town, membership of the EU may not be relevant in its view.

Funds that are allocated for small business to some extent take part in solving specific business problems (lack of information, lack of funds for investment, etc.), and to some extent only show rhetorical attention. An opinion prevails in the EU itself that the market must decide which enterprises are able to complete and which are not. But not funds. However, providing funds can and most likely will distort competition and market incentives.

- Does this mean that structural support is like bait – politicians have exalted and presented it as the primary reason for membership?

- In essence, yes. Giving too much prominence to structural support does not portray the true nature of the EU. Other things are also given more significance than they deserve. We see advertisements that the EU will create new jobs and that people will have jobs. The EU is not related with job creation; it regulates economic exchange. And this is not an organization that rules everything in peoples' lives.

In part this means that the EU is becoming a normal object of political discussion, just like any other object which gives us trouble in finding the truth. In joining the EU, many will join their own organization which will differ greatly from other peoples' imagined EU. This is an inevitable political discussion, and politicians are trying to turn, deliberately or not deliberately, the discussion and create an image suitable for them. If great expectations are created, later great disappointments may occur, and people will have to alter their understanding or get accustomed to the fact that the EU may

not bring marked changes in some peoples' lives because the biggest benefits of EU membership will not be easily expressed in a monetary form.

- How would you evaluate the readiness of the administrating system to take over EU support?

- It is so far difficult to evaluate this, since not everything is functioning yet, and I doubt that anyone in Lithuania is clear on how this system is going to function. Specific procedures are not finished yet, it is unclear how much funding will finally be allotted for specific areas, and requirements and rules are being prepared in the meantime. However, the readiness to administrate money in general will reflect traits and difficulties of public administration.

It is, however, likely that because of a heightened attention of the society and the European Commission to these institutions, there may be less difficulties. This attention will force institutions to report for their actions more responsibly and to provide more information before making decisions. Of course, when we talk about big sums of money, there will always be people who will want to turn it in a direction that they desire.

- How do you think the situation in the agriculture will change in light of modified financing? What consequences should be awaited? What can farmers expect?

- It is hard to forecast general changes, however, it can be firmly stated that the production of items which will receive support will grow. Quotas set for a number of products, for example, milk, are bigger than what is produced now, and this will be a strong incentive for farmers to reach the level of quotas. In this way, the strongly-regulated common agricultural policy clearly builds certain expectations and encourages economic activity in areas where funding, rather than market demand, is expected. Production of items that the EU will not fund directly should not increase significantly. In agriculture, the supply of support plays larger role than the preferences of consumers.

- However, we are talking about products that are of a certain quality – and quality is mainly attained in the largest farms. Will quality requirements and support be much more advantageous for larger farms? What awaits the smallest ones?

- Large farms, whose products' quality already meets EU norms, will have it easier. Small farms, which have just a couple of cows, may have either to invest heavily, cooperate or discontinue operation. But even now, their operation can hardly be called commercial. Agriculture is often an additional source of income. And those, who claim that people will not be able to slaughter pigs or do what they do now for their own needs, are wrong. No one will prohibit doing so; simply those products which do not meet the standards will not be supplied to the market. Small, or semi-subsistence farming in Lithuania is more of a way of life and an addition to ones' income than a commercial activity which can go bankrupt in the real sense of the word.

- Perhaps they will change the direction of their trade?

- It is hard to say. On the one hand, rallies and protest actions show that many people expect the most not from their own activity, but rather from what the government will decide (and politicians do not seek to lessen these expectations). They do not want to try various activities and if one fails try another, but rather blame the government. This shows that farmers associate their activity with government policies and that changing their profession and trying new activities is not a widespread phenomenon in the country side. On the other hand, those protesting are not the majority of rural inhabitants; although they represent a substantial opinion, there are other people who develop business, tourism and engage in alternative activities. Especially since part of the funding for agriculture is projected for the development of alternative activities. The very existence of these funds can entice people to think about a different occupation.

- To what extent will support for agriculture spur the restructuring processes in the country side?

- Probably after about three years clear results will become apparent. It is likely that many quotas will not be used up entirely. Agricultural support is quite extensive, therefore, many people residing in the country side will attempt to produce one product or another that is supported and to make use of the funding provided. If discussing unemployment, I would refrain from forecasting; besides, government policy will not be of less importance than EU membership; for example, in creating conditions for sale of land and in the coming of foreign investment to agriculture.

Restructuring and employment will depend on people's entrepreneurship and conditions for its expression. I would not associate membership of the EU with increased unemployment in agriculture. The number of people employed in agriculture would probably decrease; however, I am not certain that the existing statistical data is correct or meaningful. Suppose, those, who out of different motives want to emphasize their activity, claim that agriculture may contain up to one-third of the work force. However, those people can continue residing in agricultural areas, but take up a different activity.

Supposing that the number of the employed decreases, naturally, the question of what other people will be doing arises. Part of the people will be of the retirement age, so they will not be formally employed, others will attempt to develop other activities funded by the EU, and others can set off for seasonal employment in other EU member states or attempt to change their profession.

Interviewed by Giedre Bielskyte

FEATURE

The following paper was delivered by Lithuanian philosopher Mr. Algirdas Degutis, the first advocate of libertarian ideas in Lithuania. He is a Senior Fellow at the Institute of Culture, Philosophy and Art (Vilnius). He has translated into Lithuanian some major works in the classical-liberal tradition, including those of John Locke, Frederic Bastiat, Friedrich A. Hayek, Ludwig von Mises, Milton Friedman and others. Mr. Degutis is also author of the books: Language, Thought and Reality (1984), A Country of State Racket (1993), and Individualism and Social Order (1998).

Frontiers of the Libertarian - Statist Controversy: the Case of Globalization

Algirdas Degutis

Whatever one defines globalization – as the grand process of the “compression of space and time” or as the world's becoming a “global village” or simply as an “increase in international trade and investment” – one wonders what's the fuss about it, and, in particular, what is it about it that incites the anger of the crowds of “anti-globalists.”

Globalisation is inevitable

Both in popular and in academic writings globalization has often been portrayed as an unavoidable and irreversible process, which is rolling over us like some major natural phenomenon drastically reshaping our lives. Says Thomas Friedman: „Globalization isn't a choice, it's a reality“, it is like the dawn: “even if I didn't care much for the dawn there isn't much I could do about it.”¹ The analogy with the rising of the sun suggests inevitability – a widely held perception about globalization. For others it is like the dusk, certain to occur, whether we like it or not. Both for those who lament it and for those who celebrate it, says Bauman, “‘globalization’ is the intractable fate of the world, an irreversible process.”² Referring to the alleged erosion of the nation-state by transnational forces Bauman tells us: „Its causes are not fully understood; it cannot be exactly predicted even if the causes are known; and it certainly cannot be prevented from happening even if predicted.”³ Assuming that globalization is the march of international capitalism, Francis Fukuyama famously argued for the grand view that Western free-market capitalism, or liberal democracy, is the final end of history, that there is a fundamental process at work that dictates a common evolutionary pattern for all societies. In other words, the teleological goal of world history is world-wide free-market capitalism. Because of this globalization is the end of history, whatever are the ends we as individuals or groups of individuals might pursue.

¹ Thomas Friedman, *The Lexus and the Olive Tree* (New York: Anchor Books, 1999), xxii.

² Zygmunt Bauman, *Globalization: The Human Consequences* (New York: Columbia University Press, 1998, p. 1.

³ *op.cit.*, p. 41.

A more specific variant of the inevitability view is that globalization arises primarily from technological progress in such areas as communications and data processing. "What explains this globalization?" asks John Williamson,* "It is certainly not attributable to conquest, the source of most previous historical episodes where a single economic system has held sway over a vast geographical terrain. The source lies instead in the development of technology. The costs of transport, of travel, and above all the costs of communicating information have fallen dramatically in the post-war period, almost entirely because of the progress of technology."⁴

This picture of globalization is based upon the curious view of it as possessing agency in itself. As Justin Rosenberg argued, in this picture globalization as the *explanandum* is transformed into the *explanans*.⁵ But it is hard to conceive globalization as an agent in itself without lapsing into wild speculations of historicism and determinism. If there is agency here it cannot reside in globalization itself, or in the globalizing process, but rather in the human agents involved in globalization, that is, in the usual loci of decision making and responsibility. It is more plausible to say that globalization has been pushed by developments in technology (or even pulled by Fukuyama's *telos* of history) but that ultimately it has been due to human choice, to monumental political changes.

To a large extent, we have globalization simply because governments around the world have deliberately chosen to remove barriers within, and around, their markets, which have impeded domestic and international trade. The global integration we have today results from political decisions by sovereign states – taken at the national level to liberalize domestic markets – and at the international level to enter into agreements to liberalize foreign trade. Technological progress has only facilitated globalization processes set in motion by privatization and liberalization policies, pioneered by the "new right" US and British governments from the early 1970s to the early 1980s (and culminating in the so-called 'Washington Consensus' of 1989).

Within a short time since 1980s the mainstream political parties around the world began to adopt similar policies or to continue policies designed to implement the vision of the "new right", dubbed by critics as 'neoliberalism.' Even where "new right" parties were replaced in power with social-democratic ones the new governments eventually proved to be as committed to 'neoliberalism' as their political opposites. This has been the case more or less around the world. Neoliberalism has increasingly come to appear as a set of ideas whose time has come, while socialism, social democracy and the Keynesian welfare state have begun to appear more and more out of date. In the words of a bitter left-wing critic of this development, Pierre Bourdieu,* now it is the case that "neoliberal discourse is not just one discourse among many. Rather, it is a "strong discourse" – the way psychiatric

discourse is in an asylum It is so strong and so hard to combat only because it has on its side all of the forces of a world of relations of forces, a world that it contributes to making what it is."⁶

Ultimately, globalization is the result of a political choice, not an external process constraining that choice. And this is confirmed by the fact that in today's globalization we are witnessing something that strikingly resembles the famous description:

The bourgeoisie has ... given a cosmopolitan character to production and consumption in every country. To the great chagrin of reactionaries, it has drawn from under the feet of industry the national ground on which it stood. ... In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations. ... National one-sidedness and narrow-mindedness become more and more impossible ... The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilization. The cheap prices of commodities are the heavy artillery with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, i.e., to become bourgeois themselves.⁷

We actually live in the second rather than the first age of globalization. The first age globalization of the 19th and early 20th centuries, ushered in by the liberal ideology of *laissez-faire* that opened the gates for remarkable technical progress and in turn was driven by it, was largely reversed during the 1920s and 1930s, again by political decisions, with dramatic consequences for the world, even though technical progress continued its forward march.

Thus technological determinism is a fallacy today, as it was yesterday. Another fallacy is the idea made famous by Karl Polanyi in his book *The Great Transformation* (1944) and refurbished today, namely that the disasters of the 20th century can be traced back to the evils of unfettered *laissez-faire*. Brink Lindsay has convincingly argued that this is an almost perfect inversion of the truth. The disasters of the 20th century stemmed not from an over-reliance on markets, but from a pervasive loss of faith in them. The demise of the first age of globalization was due to a powerful new idea taking hold and remaking the world in its image. That idea, according to Lindsay, was that the economic revolution of industrialization both enabled and required a revolution in social organization: the eclipse, partial or total, of markets and competition by centralized, top-down control. In the early decades of the 20th century the rise of collectivism spelled the demise of the first global economy; while in the past couple of decades, the loss of faith in the collectivist dream has allowed globalization to

* He is the man who coined the label 'Washington Consensus' for the international policy consensus of 1989, the consensus which is now conceived by anti-globalists as a conspiracy of global capitalism.

⁴ Williamson, John, *Globalization: The Concept, Causes and Consequences*, 1998.

⁵ Rosenberg, J., *The Follies of Globalisation Theory*, Verso, 2000.

* He was one of the main figures in ATTAC, a major anti-globalization organization based in France.

⁶ Pierre Bourdieu, "The Essence of Neoliberalism", *Le Monde diplomatique*, December, 1998.

⁷ K Marx and F Engels, *The Communist Manifesto*, Phoenix edn (London, 1996), p. 8-9.

resume its course. The death of the dream of centralized control in the 1980s has marked the rebirth of globalization.⁸

The Realignment

The 1970s and 1980s were indeed the watershed decades. The 1970s witnessed stagflation and near bankruptcy of the Keynesian welfare state, the 1980s saw the beginning of the end of the systems of statist economic planning in the countries of real socialism, and, finally, the adoption around the world of pro-market policies whose principle was the acceptance of the superiority of systems based on private property and markets. The decades signified the beginning of what has been called the triumph of capitalism. The dismantling of “progressive” social and economic reforms, which – in the eyes of the left – had brought some degree of “social justice” to capitalism, began in earnest. The state was increasingly portrayed as a behemoth strangling the productive incentives and the discipline of the market; and welfare policies were exposed as ultimately counter-productive: “The disillusion with socialism and other forms of collectivism, which became the dominant spirit of the 1980s, was only one aspect of a much wider loss of faith in the state as an agency of benevolence. The state was, up to the 1980s, the great gainer of the twentieth century; and the central failure.”⁹ “We tried to provide more for the poor and produced more poor instead.”¹⁰ The welfare state came under attack in theory and practice. At the same time social democracy, its chief protagonist, began to lose its political pull, and to adopt policies and programs similar to those of the conservative or “new right” parties. The balance of political forces moved to the right of the centre.

A rapprochement took place. For the earlier socialist ideology the welfare state was a half-way house to the ultimate socialist society. But in the new intellectual and political environment “in many countries what remains of socialist ideology has become concentrated on protecting the welfare state against the attacks of the neoliberals.”¹¹ On the other hand, the “new right” ideology, though on the ascendance, had to concede the truncated welfare state as a half-way house to the ultimate capitalist society. And over this issue of a glass of water – was it half empty or half full? – a realignment took place: all politics moved closer together and political choice increasingly became not so much a choice of substance as a choice of style.

If this was at least a partial victory for the ‘new right’ and a cause of some rejoice for them, it was at least a partial defeat for the ‘truly’ left and was experienced by them as painful. Pierre Bourdieu complained: “the power of neoliberalism is so overwhelming that it's being implemented by people who call themselves socialists. Whether it's Schröder, Blair or Jospin, these are people who practice neoliberal politics in the name of socialism.”¹² Another left-wing critic, commenting on the

“third way” of today’s social democracy, has this to say: “New Labour has shifted so far to the centre that the party represents merely a warmed-over Thatcherism. The Euro-American Third Way articulated by Prime Minister Anthony Blair and practiced, if not preached, by President Clinton, German Prime Minister Schröder, and the prime ministers of other Western European regimes provides a rhetorical gloss over a new style of right-wing politics. Essentially, the Euro-American variant of the Third Way builds on and extends the Old Right Thatcher-Reagan doctrines of privatization and the promotion of concentrated, centralized capital.”¹³ However far-fetched this description might seem from the libertarian point of view, it is quite characteristic of the principled left’s perception of the political development.

Globalization as an Excuse

An important feature of the political realignment was that politicians of various stripes have acquired the habit of pointing to the increasingly global economy in order to justify unpopular political choices. “These are the demands of global economy” has become a favourite excuse and an alibi for a policy lacking wide support. This talk of globalisation as something objectively out there, imposing constraints on governments, rather than reflecting the choices they made, has been a particularly useful ploy for the reformed left. Having lost the battle of ideas they were eager to find a face-saving device for their new opportunism. As *The Economist* explains (in my nearly verbatim rendering), the failure of the welfare state in the 1970s and the follow-up collapse of communism led to a monumental crisis of self-confidence on the left. So changes in left-wing parties’ rhetoric followed. The leaders of the new left could hardly expect to retain the loyalty of traditionalists if they came out and said: ‘Most of what we used to assert is wrong. Now that we have been found out, we are going to the other side. From now on we stand for a kinder, gentler, more compassionate sort of conservatism.’ Instead, to appeal to centrist voters, while at the same time flattering traditionalists into believing their ideas still prevailed, they put it another way: “The world has changed, our values have not” (Blair). The idea that politics determines national policies has gradually dissipated, and in its place has come the idea that global economy is the crucial factor in more and more aspects of society: “It’s the economy, stupid” (attributed to Clinton). In all kinds of way governments and their political opponents used the supposed demands of globalisation to deny responsibility. But there is a price for the ploy. With the political options for government seemingly narrowed, a corresponding growth in political apathy and scepticism about politics and politicians was bound to emerge. “The denial of responsibility, the pretence that policies are dictated by global markets rather than chosen by elected governments, the refusal to consider alternatives ... was bound to persuade many people that conventional politics is indeed a waste of time.”¹⁴

⁸ “The Decline and Fall of the First Global Economy”, *Reason*, December 2001.

⁹ Johnson, P., *Modern Times: The World from the Twenties to the Nineties*, Harper Collins Publishers: New York, 1991, p. 783.

¹⁰ Murray, Ch., *Losing Ground: American Social Policy, 1950-1980*, Basic Books, 1984, p. 9.

¹¹ Anthony Giddens, *Beyond Left and Right*, Stanford University Press, 1994, p. 17.

¹² *Die Zeit*, January 2000.

¹³ James Petras, “The Third Way: Myth and Reality”, *Monthly Review*, March, 2000.

¹⁴ “Globalization and its Critics: A Survey of Globalization”, *The Economist*, September 29, 2001, p. 24.

Backlash against Globalisation

The growing scepticism about politics and politicians was accompanied by, and possibly even led to, another development – the rise of the anti-globalization movement. As could be expected, the globalization ploy was soon exposed as a conspiracy on the part of politicians and pundits operating at the international level and acting in the interests of global capital. And it could be expected that international meetings, summits, international treaties and bodies such as NAFTA, IMF and WTO were to become central targets of attack by those disenchanted with national politics. It was also natural that having lost the conventional political venues and being merely “anti-” and suspicion-driven, the protests took to the streets, with protestors employing *action directe*, usually bursting out into violence and vandalism. “Taken together, the string of protests since Seattle in 1999, which have torn through Washington, Melbourne, Prague, Seoul, Nice, Barcelona, Washington DC, Quebec City, Gothenburg and Genoa, have cost more than \$250m in security precautions, damage and lost business. Hundreds have been injured, several shot and one young man has been killed.”¹⁵ More importantly, they put the neoliberal establishment on the defensive. It is no longer possible to be blandly sure of the inevitability of globalization.

The movement is a loose collection of disparate groups with different and even incompatible objectives. They have no common position, or if there is a common position, it is best described as being anti-capitalist. Strictly speaking, this is not an “anti-globalisation” movement, for the vast majority of the groups have global agendas. In essence, this is a global movement against global capitalism. It is driven by the suspicion that corporations, in their strive for profits, are riding slipshod over the public interest, are exploiting the poor, are imposing standards of consumption on unwilling consumers, are subjecting to the cash-nexus (commodifying) ‘higher’ social and cultural values, are ravaging the environment, etc., etc. And it is fuelled by the fear that democracy has become powerless to stop them, since politicians and international political institutions are thought to be serving corporate agendas. As in the *Communist Manifesto* 150 years ago, the idea is that “the executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie.”

Fallacious Assumptions Underlying Anti-Globalisation

One of these assumptions has already been referred to above. This is the idea that people have been disempowered by global capitalism that concentrates its power in distant undemocratic institutions like WTO. This is generally wrong (whatever libertarian objections to inter-governmental organizations in general). In particular, this is wrong in respect of WTO, because WTO is an inter-governmental, rather than supra-governmental body, a kind of an arbitration mechanism, and its rules are adopted by the consensus of member governments. Blame for policies pursued by particular governments, if laid at

the door of WTO, is quite inappropriate, since membership in it is their own choice. The critics are barking up the wrong tree. What the critics of globalization portray as a conspiracy of secretive international bureaucracies is in fact the spread of pro-market policies in nation states.

Now, globalization is simply free trade writ large. Thus all the arguments for free trade are arguments for globalization. (And arguments against globalization are arguments against free trade.) The advantages of a global economy based on free trade are so obvious and enormous that it is difficult to conceive of anyone with an inkling of economic understanding opposing it. The advantages is a corollary of Adam Smith’s axiom of the mutual benefit of voluntary trade and of the law of comparative advantage: every country becomes more prosperous the more it invests in producing and exporting what it does best (in terms of cost or quality), and importing what other countries can produce more efficiently. Attempts at keeping (or imposing) a country’s self-sufficiency are wasteful of resources, a sure way of keeping (or making) a country poorer than it would have been in having its markets open.

The market process of Schumpeterian “creative destruction” brought about by free trade is the most powerful wealth-creating mechanism humanity has ever invented. The process is ‘cruel’, but only in the sense that we ourselves, as consumers, are cruel in picking out (paying to) those who serve us best. However, even losers in the short run gain in the longer run, since their activities are redirected to more efficient uses and since they gain from the cheaper products, made available by the more efficient producers.

Anti-globalists’ criticism of the global march of capitalism is commonly based on the failure to recognize that all market exchange is a positive sum game. Instead, the critics assume that there is a fixed pie, and that one party can gain only at the expense of the other (as in a zero-sum game), so that if the rich are getting richer in (global) trade, then the poor must be getting poorer. Trade liberalization (market competition) is treated as opening the floodgates to the Darwinian struggle for survival. No wonder that market relations, trading and profit seeking are then conceived in terms of predation and violence. Indicative of this are the titles of some influential anti-globalization books: Bourdieu, *Acts of Resistance: Against the Tyranny of the Market*; Falk, *Predatory Globalization*; Viviane Forrester, *L’Horreur économique*; Bové, *The World is not for Sale*; Martin and Schumann, *The Globalization Trap*.

Bourdieu tells us about ‘structural violence’ committed by the market order: “The ultimate foundation of this entire economic order placed under the sign of freedom is in effect the *structural violence* of unemployment” (“The Essence of Neoliberalism”). This seems to imply that a person commits an act of violence by refusing to employ an applicant for a job. Ironically, this seems also to imply that the consummation of the Marxist struggle against the exploitation of labour is a ban on the exploiters to desist with their exploitation.

Related to this fallacy is that of ‘profits versus public interest’ argument (as exemplified, e.g. by J. H. Mittelman.¹⁶ He

¹⁵ James Harding, “The Anti-Globalization Movement”, *Financial Times*, October 15, 2001.

¹⁶ *The Globalization Syndrome*, Princeton UP, 2000.

stresses the tensions inherent in globalization between the “powerful thrust of globalizing market forces” and “a counterthrust fuelled by the needs of society” (p. 3). This is an all too familiar refrain: ‘market forces’ stand opposed to ‘the needs of society’. How ‘market forces’ can flourish without satisfying at least some of these needs remains, as usual, unexplained. Still, to be tamed are the ‘market forces’, not ‘the needs of society’, for presumably the author knows them better than those who cater for them in the market.

A corollary of this is the elitist view of choices made in the market: the idea is that most consumers’ choices are wrong, uninformed or misinformed, and in either case that their choices are being manipulated and manufactured by the all-powerful corporations. The paternalism of this view is matched only by the implicit ascription to the corporations of powers they could possess only in a world populated by utter fools. This view is the common assumption of lamentations on the evils of ‘commodification’, ‘consumerism’ and McDonaldization, and it seems to be a major source of anti-Americanism.

Related to this fallacy is the confusion of market power with political power. E.g. Noreena Hertz¹⁷ point to the fact that out of the top 100 economies in the world, 51 are not countries but businesses, insinuating that some corporations are now more powerful than some states. However, market power is totally benign: it is simply a reflection of a firm’s ability of serving its customers well. Calls for the curbing of the power of corporations are thus ultimately calls for the revision of the choices made by people in the market. And this can only lead to the increase of state power – the power that is malignant if extended beyond the very limited domain of property rights’ enforcement and redress. Corruption – the vice for which businesses are usually blamed – is the natural result of the extension of state’s powers beyond its proper domain.

Then we have what David Henderson calls the “presumption of remediable injustice.” The presumption is that any inequality is a proof of injustice done that can and should be remedied by “deliverance from above.” The poor are thus the ‘victims’ (the ‘deprived,’ the ‘disadvantaged,’ the ‘excluded,’ the ‘marginalized,’ the ‘disenfranchised’). The rich are the culprits (presumably because of getting away with much bigger slices of the fixed pie). A striking example of the remedies proposed is that of Susan George, a leading anti-globalization writer. She is concerned with the “closing the North-South gap” and with the “redistribution to all the people who have been robbed over the past twenty years.” Now, the solution is right at hand: “there is plenty of money sloshing around out there and a tiny fraction, a ridiculous, infinitesimal proportion of it would be enough to provide a decent life to every person on earth, to supply universal health and education, to clean up the environment and prevent further destruction to the planet, to close the North-South gap – at least according to the UNDP which calls for a paltry \$40 billion a year. That, frankly, is peanuts.”¹⁸

Apparently, it has never crossed the author’s mind that this kind of “deliverance from above” would exacerbate the problems of the South – for the simple reason that the real causes of poverty, such as the lack of rule of law, lack of respect for private property, collectivism, corruption and war, are internal to the situation in the countries concerned. Giving the money to these countries would perpetuate their impoverishment by making it worthwhile for them to remain in their situation – the more so because the money would have to go to governments pursuing most destructive policies, since their countries would be most qualified for aid.

Indeed, this belief in the “deliverance from above” is a Northern counterpart of the “cargo cult” prevalent in the South. (“All Third World ideologies are ‘cargo cults’”, as Peter Bauer told us in his book *The Development Frontier*, Harvard UP, 1991, p. 203). The notion that poor countries cannot progress without aid (without ‘cargo’) derives from the incoherent hypothesis (assumed by of the vicious circle of poverty and stagnation – that one (a country) cannot get richer without being rich in the first place. (George Monbiot: “unless you first build up the wealth of local communities and business, people simply cannot compete with multinational capital”¹⁹). Bare money transfers from North cannot lift the South from the mire of poverty. Trade, not aid, is the solution.

Finally, if there is anything that unites anti-globalists apart from their hatred of capitalism, it is their concern about “democracy deficit in the global economy.”²⁰ Now, if liberalization means anything it means the ousting of politics (democratic or otherwise) from market transactions. The feeling of a “democracy deficit in the global economy” can only be understood as longing for the reintroduction, on the global level, of those state controls that have been lost at the national level. “Only a framework of global regulation ... can enable the creativity of the world economy to be harnessed in the service of human needs.”²¹ Again, market forces are to be harnessed and tamed: if not in the name of the needs of a particular society, then in the name of human needs. Despairing of the chances to realize their collectivist agendas at the national level, the anti-globalists are now going international and global, just as Marxist revolutionaries did in early 20th century.

The great difference between the “new right” revolution of the 1980s and the contemporary anti-capitalist backlash is that the former started in the world of ideas, while the latter is driven largely by emotions and crude misconception of the nature of capitalism. This may prove to be fatal to the future of the movement, unless it comes up with a plausible theoretical alternative to capitalism. So far none has been presented. In a sombre moment of self-reflection a critic of capitalist globalization raises a simple question: “If suddenly handed the world, would we know what to do with it? Could we avoid chaos?”²² and, significantly, leaves it without answer.

Susan George is perceptive: “one explanation for this triumph of neo-liberalism ... is that neo-liberals have bought and paid

¹⁷ *The Silent Takeover*, 2001.

¹⁸ “A Short History of Neoliberalism”, 1999.

¹⁹ *Interview with ephemera*, May 2002.

²⁰ Lori Wallach, interviewed in *Foreign Policy*, Spring 2000.

²¹ John Gray, *False Dawn: The Delusions of Global Capitalism*, p. 199.

²² Sam Gindin, *op.cit.*

for their own vicious and regressive "Great Transformation." They have understood, as progressives have not, that ideas have consequences. Starting from a tiny embryo at the University of Chicago with the philosopher-economist Friedrich von Hayek and his students like Milton Friedman at its nucleus, the neo-liberals and their funders have created a huge international network of foundations, institutes, research centres, publications, scholars, writers and public relations hacks to develop, package and push their ideas and doctrine relentlessly."²³

Indeed, this is the recipe for action that friends of individual liberty should heed in fighting today's backlash against capitalist globalization.

References, if not otherwise indicated, are references to WWW sites, without precise addresses. You can find them by using Google search machine.- Algirdas Degutis

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²³ *op.cit.*